

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

BPH Fire Department
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
BPH Fire Department**

We have audited the accompanying financial statements of the governmental activities and major fund of the BPH Fire Department, a component unit of the Township of Barry, Michigan, as of March 31, 2006, and for the year then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the BPH Fire Department, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The BPH Fire Department has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

May 3, 2006

BASIC FINANCIAL STATEMENTS

BPH Fire Department
BALANCE SHEET/STATEMENT OF NET ASSETS
 March 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 18,789	\$ -	\$ 18,789
Capital assets, net	<u>-</u>	<u>454,266</u>	<u>454,266</u>
Total assets	<u>\$ 18,789</u>	<u>454,266</u>	<u>473,055</u>
LIABILITIES			
Payables	\$ 3,724	-	3,724
FUND BALANCES			
Unreserved	<u>15,065</u>	<u>(15,065)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 18,789</u>		
NET ASSETS			
Invested in capital assets		454,266	454,266
Unrestricted		<u>15,065</u>	<u>15,065</u>
Total net assets		<u>\$ 469,331</u>	<u>\$ 469,331</u>

Amounts reported in the statement of net assets are different because:

Total fund balance	\$ 15,065
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	<u>454,266</u>
Governmental fund net assets	<u>\$ 469,331</u>

See notes to the financial statements

BPH Fire Department**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES***Year ended March 31, 2006*

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Public safety	\$ 64,058	\$ -	\$ 64,058
Capital outlay	250,075	(248,033)	2,042
Depreciation	-	32,954	32,954
	<u> </u>	<u> </u>	<u> </u>
Total expenditures/expenses	314,133	(215,079)	99,054
	<u> </u>	<u> </u>	<u> </u>
PROGRAM REVENUES			
Contributions from participating units	199,767	(166,536)	33,231
Charges for services	105,506	-	105,506
	<u> </u>	<u> </u>	<u> </u>
Total program revenues	305,273	(166,536)	138,737
	<u> </u>	<u> </u>	<u> </u>
CAPITAL GRANTS AND CONTRIBUTIONS			
Contributions from participating units	-	166,536	166,536
	<u> </u>	<u> </u>	<u> </u>
NET EXPENSES	(8,860)	215,079	206,219
	<u> </u>	<u> </u>	<u> </u>
GENERAL REVENUES			
Interest and rentals	197	-	197
Other	5,914	-	5,914
	<u> </u>	<u> </u>	<u> </u>
Total general revenues	6,111	-	6,111
	<u> </u>	<u> </u>	<u> </u>
CHANGES IN NET ASSETS	(2,749)	215,079	212,330
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES/NET ASSETS - BEGINNING	17,814	239,187	257,001
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES/NET ASSETS - ENDING	\$ 15,065	\$ 454,266	\$ 469,331
	<u> </u>	<u> </u>	<u> </u>

See notes to the financial statements

BPH Fire Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES (Continued)**

Year ended March 31, 2006

Net change in fund balance	\$ (2,749)
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	248,033
Deduct - depreciation expense	<u>(32,954)</u>

Change in net assets	<u>\$ 212,330</u>
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See notes to the financial statements

BPH Fire Department
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the BPH Fire Department (the Department) conform to generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Department. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Department exercises oversight responsibility.

Costs of operations and capital expenditures are supported by contributions from the Townships of Barry, Prairieville, and Hope. The Department is considered a component unit of the Township of Barry, Michigan.

b) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

c) Assets:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the Department as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Vehicles	20 years
Equipment	5 - 20 years

BPH Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - The Department adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control, adopted by the governing body, is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

Deposits with financial institutions:

The cash balances of the Department's governmental activities, which consist entirely of deposits with financial institutions, amounted to \$18,789 at year end. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Department's investment policy authorize the Department to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Department's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, none of the Department's bank balances of \$18,800 was exposed to custodial credit risk because it was uninsured.

The Department evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - CAPITAL ASSETS:

A summary of changes in capital assets follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Vehicles	\$ 436,000	\$ 248,033	\$ -	\$ 684,033
Equipment	155,632	-	-	155,632
Subtotal	<u>591,632</u>	<u>248,033</u>	<u>-</u>	<u>839,665</u>
Less accumulated depreciation for:				
Vehicles	302,750	22,145	-	324,895
Equipment	49,695	10,809	-	60,504
Subtotal	<u>352,445</u>	<u>32,954</u>	<u>-</u>	<u>385,399</u>
Capital assets, net	<u>\$ 239,187</u>	<u>\$ 215,079</u>	<u>\$ -</u>	<u>\$ 454,266</u>

NOTE 5 - RISK MANAGEMENT:

The Department is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries.

Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverage for general wrongful act liabilities is set at \$2,000,000 per incident, with policy period maximums at \$2,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$2,000,000 and damage coverage at replacement value for fire and rescue vehicles.

Employees are insured for accidental death or disability. Workers' compensation insurance covers bodily injury by accident or disease with coverage ranging from \$100,000 per accident, per employee up to a \$500,000 policy limit.

For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 6 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Department's actual and budgeted expenditures have been presented on a functional basis. The approved budget of the Fire Department was adopted at the functional level. The Department had no significant budget variations.

REQUIRED SUPPLEMENTARY INFORMATION

BPH Fire Department
BUDGETARY COMPARISON SCHEDULE
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Intergovernmental	\$ 287,978	\$ 287,978	\$ 199,767	\$ (88,211)
Charges for services	37,869	37,869	105,506	67,637
Interest	50	50	197	147
Other	800	800	5,914	5,114
Total revenues	<u>326,697</u>	<u>326,697</u>	<u>311,384</u>	<u>(15,313)</u>
EXPENDITURES				
Public safety	72,742	72,742	64,058	8,684
Capital outlay	<u>259,225</u>	<u>259,225</u>	<u>250,075</u>	<u>9,150</u>
Total expenditures	<u>331,967</u>	<u>331,967</u>	<u>314,133</u>	<u>17,834</u>
NET CHANGES IN FUND BALANCES	(5,270)	(5,270)	(2,749)	2,521
FUND BALANCES - BEGINNING	<u>17,814</u>	<u>17,814</u>	<u>17,814</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 12,544</u>	<u>\$ 12,544</u>	<u>\$ 15,065</u>	<u>\$ 2,521</u>